The Financial Times of Indiana

Balanced budget news from the Office of Governor Frank O'Bannon

Thursday, December 27, 2001

www.IN.gov/gov

The News in brief……

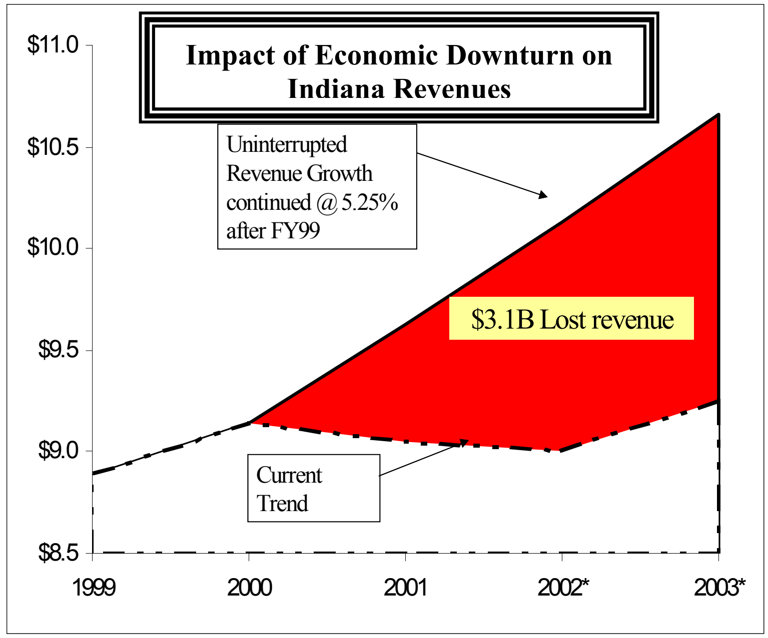
In June 1999 Indiana had a reserve balance of nearly $2 billion and economic experts predicted a continuation of the good economic times that had allowed that reserve to grow.

Based on that prediction, Governor O'Bannon and the General Assembly agreed to give nearly $1 billion in tax cuts for farmers, homeowners, business, the elderly and the poor. And, they invested $800 million of the reserve on needed improvements to local roads, technology and capital projects for universities, capital projects around the state and for teachers' pension needs.

Those were all one-time, targeted and wise investments in Indiana used to intentionally invest and spend down our reserve. They made our state better and improved our fiscal condition by eroding a significant portion of pension liability that we otherwise would not have addressed. In addition to these investments and tax cuts, the state maintained a $1.2 billion surplus in case of an economic downturn.

Unfortunately, the economic predictions that the good times would continue did not come true. The economy declined instead of growing, and that dramatically reduced the state's reserve at the same time the planned reductions took effect.

The Governor's plan to balance the budget addresses the deficit created by the investments and the reductions in anticipated revenue while still enabling the state to continue the progress it has made over the past five years.



(In Billions) *Projected

Want to know more?

http://www.nga.org/nga/newsRoom/1,1169,C_PRESS_RELEASE^D_2945,00.html

Did someone say taxes never go down?

They do in Indiana! Since 1997:

Property Taxes were cut by $863.6 million

Income Taxes were cut by $507.4 million

Inheritance Taxes were cut by $59.3 million

Business Employment Taxes were cut by $159 million

The **tax on fuel sales** was suspended, saving Hoosiers $46.3 million during the energy emergency in the summer of 2000

Where did the surplus go?

$1 billion went to tax cuts

$200 million went to cities, towns and counties for road and street improvements.

***

$160 million went to universities for new technology and repairs, renovations and expansions of buildings and other facilities.

***

$150 million went to projects like repair and improvements to state parks, the Schools for the Blind and the Deaf, Indiana ports and state hospitals.

***

$290 million went to pay down the state's unfunded liability and future needs in the teachers' pension fund.

Be on the watch for: **Why Indiana's public schools are so important …**

For more information, contact Cheryl Reed or John Zody at 317-232-1012